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UNITED STATES DEPARTMENT OF AGRICULTURE
Washington, D. C. 20250

REPORT AND RECOMMENDATIONS OF THE
13th MEETING OF THE
AGRICULTURAL ECONOMICS RESEARCH ADVISORY COMMITTEE

December 14-16, 1965
Washington, D. C.

Membership of the
Agricultural Economics Research Advisory Committee

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U. S. DEPARTMENT OF AGRICULTURE
NATIONAL ASSOCIATION OF AGRICULTURAL ECONOMISTS

CURRENT SERIAL RECORDS

PREFACE

The thirteenth meeting of the Agricultural Economics Research Advisory Committee was held in Washington, D. C., on December 14-16, 1965, with all members of the committee present. The committee made a systematic review of the Department's economic research program. The primary basis for this review was the progress reports prepared for the committee's use by each of the economic research divisions. This source of information was supplemented by oral reports from the following USDA research divisions of the Economic Research Service: Farm Production Economics, Natural Resource Economics, Economic Development, Economic and Statistical Analysis, Marketing Economics, Foreign Development and Trade, Foreign Regional Analysis; and from the Consumer and Food Economics Division of the Agricultural Research Service, the Farmers Cooperative Service, and the Statistical Reporting Service.

Mr. Nathan M. Koffsky, Director, Agricultural Economics, USDA, is chairman of the committee; Dr. M. L. Upchurch, Administrator, Economic Research Service, USDA, is vice chairman.

After a careful review of the material available to the committee, the committee members prepared and submitted the recommendations which follow to the Secretary of Agriculture.

Additional copies of this report may be obtained from Max Hinds, executive secretary of the Agricultural Economics Research Advisory Committee, Research Program Development and Evaluation Staff, U. S. Department of Agriculture, Washington, D. C. 20250

AGRICULTURAL ECONOMICS RESEARCH ADVISORY COMMITTEE
REPORT AND RECOMMENDATIONS

GENERAL COMMENTS

The Role of Social Sciences in National and World Planning

The agencies carrying on economics research in the Department of Agriculture provide the information essential for food and agricultural planning at all levels. Changing technology in farming and marketing and shifting world demands require more emphasis on economics research in USDA. The major food and agriculture problems confronting the United States have to do with social and economic issues.

The planning of U. S. farm development, production, price policies, as well as food aid to other countries, demands the highest quality economic research in the Department. This committee believes that the total research effort of the Department should be swung more in the direction of the social sciences where the national problems are most pressing. We believe that Congress and the Department are not now allocating research expenditures in the wisest manner to accomplish national goals most effectively. We urge the research study committee to consider redistribution of research funds in light of the increasing need for economic intelligence.

Within the area of economics research, we believe greater emphasis should be placed on the collection, interpretation and analysis of basic data. This is a function only government can perform. It is invaluable to policymakers, research workers, and private business.

We believe that Congress and the Department should consider reallocation of any given level of appropriation toward more emphasis on aggregate food and agriculture studies and away from various service activities which are also provided by other institutions. USDA should concentrate on problems which are national and worldwide in scope.

That the U. S. Department of Agriculture should assume responsibility for the "welfare of rural people" as designated by President Johnson is logical, because over the past decades public concern for the people and their communities in rural areas has been inadequate. The lag in socio-economic growth and development found in most rural areas needs concerted attention to narrow the gap between rural and urban for realization of the amenities of the modern and affluent American society. Thus, increased attention to research in the social sciences is needed.

Shortage of Highly Trained People

A major problem throughout agencies in the USDA conducting analytical studies is the shortage of highly trained capable people. There are two approaches to the solution of the problem.

The first is to ameliorate the difficulties faced in recruiting this type of personnel because of the low initial salaries, lack of salary flexibility, and restrictions on numbers of employees of grade 14 and higher.

A second is to utilize existing personnel more efficiently by organizing them into special analytical task groups. By so doing, their special talents can be brought to bear in organizing research projects and supervising less highly trained people for relatively complicated studies.

Recognition of Dedicated Public Service

The committee expressed appreciation on behalf of American farmers for the dedicated public service of persons now retired, especially four recent retirees from the Economic Research Service of the U. S. Department of Agriculture, namely, Dr. Fred Waugh, Dr. Sherman Johnson, Dr. Bushrod Allin and Dr. Wilhelm Anderson. Each will long be remembered for his distinguished service of important work at levels of great responsibility and for his devotion to American agriculture during his entire career.

Farm Production Economics Division, ERS

1. The committee commends the continuing analysis being given in this division to the scope and purpose of its research work. The imaginative efforts to the development of a national model for production adjustment research and policy guidance are well-directed. Continued attention should be encouraged to the effective use of the field staff of this division, noting that some 60% of the professional group are so located. Efforts to develop data for such analyses as the regional adjustment studies and cost and return work should be integrated as closely as possible: coordinated activity of this kind will permit aggregation of data and results for national policymaking purposes.
2. Several areas of research are being carried on that are of particular importance in analyzing changes taking place in American agriculture. These include the development of the national model, the pesticide study (considering also analysis of the data for other purposes), and the implications of structural changes in American agriculture (including work on implications of contracts on producer decision-making and incomes).
3. Encouragement should be given to this division to expand work in the policy analysis field. We note with anticipation the use of the national model for policy and program appraisal and analysis.
4. In light of increased emphasis given to studies with analytical aggregative analyses, the direction of future work on individual area adjustment studies and preparation of data on costs and returns by major types of farms should be carefully appraised.
5. Historically, efforts have been made to collect data on farm capital, credit and financial conditions; factors affecting agricultural risks and insurance; and farm real estate prices at state and national levels. This committee would like to encourage a greater stress on analytical research of this data in addition to the preparation and publication of the statistical information.
6. This committee would like to recommend expanded research work in the area of farm labor including trends toward mechanization of production activities of many high labor-using enterprises.
7. Under present day agricultural conditions, we view many historic divisions of investigation into production and marketing segments as arbitrary and as a deterrent to effective research activity. The analytical approach should be to view interrelated production and marketing (including input supplying) activities

as a set of interrelated activities within a systemic framework. To this end, closely integrated, cooperative projects between the Marketing Economics Division and the Farm Production Economics Division should be carried on.

8. In view of the importance of problems of national and broad regional interest, we would like to encourage research of the field staff on projects that have such orientation and scope. Cooperative work with State Experiment Stations is, of course, to be encouraged but careful selection made to avoid those research areas that are of primary local and state interest and that can be carried on by State Experiment Station personnel.

Natural Resource Economics Division, ERS

1. The committee commends the Natural Resource Economics Division for the planning and program analysis activity underlying the reorganization of the division's activity. Efforts have successfully been made to put into proper forms the important research problems faced in the natural resource field.

2. The work underway in studying the potential research benefits of making resource surveys from earth-orbiting satellites represents pathbreaking work potentially capable of significant future results. The implications for land use identification and interpretation are clear. In addition, these data may possibly be of great value for statistical reporting and estimation.

3. The interest in natural resource economics research is rapidly expanding. For this reason careful planning of research activities is necessary to make effective use of limited professional talent available. Research needs of broad regional or national dimension will be of such magnitude that greater emphasis should be given to encouraging support of State Experiment Stations and other research groups for work on specific problems of local interest. The Natural Resource Economics Division can very appropriately continue coordination and leadership activity of such local and state project work (for example, in the research work on ground water or special districts).

4. The work in water research is of primary concern to this division particularly in the area of comprehensive river basin planning. Emphasis on methodological procedures should be stressed, with efforts made to enlist aid from local, state and regional groups in the carrying out of the expanded list of potential projects in this area. Work is now planned in specific localities along the lines of studying economics of erosion and sedimentation processes, irrigation potentials, water-based recreational enterprises, irrigation efficiencies, and dry-land moisture conservation. Such studies should emphasize methodological aspects or substantive findings capable of generalization.

5. We would like to support close cooperation between work of this division and others on common methodological problems. For example, the river basin development investigation is developing techniques for translating output and land use results from area planning analysis into the correlative developments of economically related industries of the trade, service, and processing types. Similar methodological problems are also faced in research planned and underway by the Economic Development and Farm Production Economics Divisions. Also, the Farm Production Economic Division's activity in developing linear programming techniques for interregional and subregional projections for evaluating long-range economic impacts of development alternatives are closely related and should complement work in the Natural Resource Economics Division.

6. The committee would like to support the expansion of the research work on air and water pollution and study of impacts of urban growth in rural areas.

Economic Development Division, ERS

The approach suggested by the creation of the Economic Development Division is encouraging and may represent a new landmark in the development of socio-economic research in rural areas. The creation of the Economic Development Division and the reallocation of functions in the Economic Research Service gives recognition to problems of rural people and their environment beyond those related specifically to farm production, marketing and commodity prices. Thus, research oriented to problems of people can be more clearly delineated and allocation of research resources can be directed more effectively to priority needs.

Because the needs of rural people and rural communities differ only by degree from their urban counterparts, the continued separation of attention into rural and urban by departments of the United States government is fraught with short- and long-time difficulties. It was noted from the discussions that cooperation and coordination were good between ERS and other U.S. government programs, i.e., poverty and regional programs.

However, the same interrelationships were not so obvious as they related to other U. S. departments. Because the American society is urban and becoming more so each day, to cling to agrarian tradition and sustain a delineation of all problems into rural and urban is to err. However, the U. S. Department of Agriculture is the logical leader because it should be more effective in piloting the transition process to the urban-industrial society.

The conceptualization of the role and need for research appears good in the division. It is clear that the sensitivity to the needs of rural people and rural communities is largely accurate and relevant to the priorities for assistance.

The resources to meet the need and urgency of the work of this division appear grossly inadequate. If the Department is serious in its intent to assume responsibility for the "welfare of rural people," then resources must be made commensurate with intention.

Several areas of problem emphasis of major importance to rural America were found missing in the discussions:

1. There is inadequate attention to the overall problem of rural planning. Many aspects are found in other divisions of ERS but a focus is needed wherein studies center on better control in the use of agricultural resources for agricultural purposes, e.g., areas for agricultural and nonagricultural specialization; and the auxiliary resources that serve agriculture, e.g., transportation, communication, etc. Also, the uncontrolled use of agricultural resources for nonagricultural purposes, e.g., urban expansion results in gross exploitation and massive inequities. We recognize the elusiveness of explaining the concept of agricultural planning in the rural areas. Therefore, it is important to find a proper sequence of steps, e.g., watershed planning, piped water, and land use around highways and interchanges.
2. Another problem area is inadequate attention to health care. Health in rural areas, especially in the low-income areas, is an urgent need. Basic data are lacking on the extent of the problem as well as on the attitude and means used by rural families to meet health needs.
3. Still another area where attention is lacking is on the question of reapportionment. Traditionally, the rural institutions and procedures for obtaining action are geared to a different set of forces and influences, thus the need.

4. A glaring inadequacy in rural America today is found in the lack of a social structure and in the arrangements within the structure for the rural society to establish and attain goals. For example, a most important need is to develop a comprehensive curriculum in the secondary schools serving a dispersed rural population.
5. The problems surrounding poverty in rural areas are of major importance and the committee notes with approval the concern and attention to them.
6. While interpretation and analysis of data are important, we sense a great need for basic data to support the work of this division. The demands for program development and implementation probably will continue to increase. Obvious, therefore, is the need for basic data.
7. The mass out-migration of people from farming areas which has occurred and continues to occur is common knowledge. The social cost or benefit of such a mass movement would be important knowledge, if known. Resource inputs to produce a productive man, manpower value in the nonfarm market, and the social costs or benefits in general, are relevant to the need.
8. Labor as a cost input to the farm business needs to be kept in some range of acceptable efficiency. The persons representing the labor need to be full participants in the social benefits and affluence of the American society. There is a paradox here and studies are needed to find the range where these competing needs can be ameliorated.
9. Policies and programs for American farmers are being evaluated as to impact and effect upon different geographic areas and types of farming. Such studies should be continued.
10. Considering the vast investment in farm housing and the continual rapid decline in farm population, more attention should be given to planning better use of abandoned farm dwellings. Furthermore, greater effort should be concentrated on planning the future farm home structure so it will meet the social and economic requirements of the farm family in the years ahead. Additionally, further guidelines should be put forward regarding new housing standards for migratory labor including the architectural aspects toward creating a pleasing landscape instead of a slum appearance.
11. Taxation:
 - a. In view of the special assessments on rural property in some states in recent years, studies should be continued and strengthened from the standpoint of equity of rural property assessment vis-a-vis urban property.
 - b. In order to facilitate land use adjustments in counties needing to retire relatively large acreages from crop production, studies on compensatory payments to supplement locally reversed tax revenues need to be made.
 - c. Special studies on the substantially increased tax ratios necessary to meet the needs of large new school structures should be made to serve as a guideline to local authorities to more nearly assure that the large expenditures now necessary will not become obsolete long before the normal useful life of the property ends.

- d. In view of the impending reapportionment of legislative representation in states, concentrated attention should be given to developing guidelines and giving surveillance to distributing the tax burden equally between rural and urban property.
- e. Whereas in some states great changes are being made in the assessed value of all property in order to reach the level of 100% of actual value and considering the likelihood of this action greatly increasing the revenues in such states, there is an increased need for guideline studies that would be useful to state and local governments in the wise budgeting of the prospective increased revenue.

Economic and Statistical Analysis Division, ERS

The Division of Economic and Statistical Analysis is the nerve center of agricultural program planning. It is the best source of comprehensive supply-demand projections and agricultural outlook analyses.

The importance of this function to the farm and general business economy cannot be overstressed. We repeat our statement of last year:

"The reports of this division concerned with supply, demand and price analysis, projections of economic trends and farm income are basic tools for other researchers in the Department and elsewhere. They are the basis for the commodity outlook work, farm policy planning, and farm program appraisal. Yet all these reports are no better than the fundamental data and their analysis. Therefore, we recommend high priority on improvement of the work in these areas."

1. We believe the commodity outlook activity is badly understaffed. There should be backup research economists for all the major commodities. We find it a serious weakness in our national agricultural information service that only one man is now working on outlook for all fruits, only two men on livestock, etc. This division is especially handicapped in its staffing by the arbitrary limits on positions in certain top grades. This hampers recruiting and advancement of personnel. We recommend this division be given more leeway in staff positions. The division especially needs more staff at this time because of the pressing world problems of food shortage, raising questions of U. S. food aid policy, U. S. farm output policy, etc. Also, the division is being called on for new studies of farm income comparisons with nonfarm income to develop a refined parity measure and livestock and meat supply-demand studies need to be updated. We recommend more research manpower on these problems and on the related problem of national agricultural projections.

2. There is need to have increased support to improve and expedite the outlook program. Users of this material should be urged to press for additional appropriations for this purpose. There appears to be a real need to inform the general public of the usefulness of these forecasts. Agricultural leaders and organizations are encouraged to explain to farmers the importance of this activity.

Marketing Economics Division, ERS

For the past several years the Agricultural Economics Research Advisory Committee has recommended that the Marketing Economics Division devote more attention to the fundamental changes taking place in the marketing structure for agriculture and last year it suggested that all possible help and cooperation be offered to the National Food Marketing Commission in its study of these developments. The Advisory Committee is pleased to note that considerable progress is being made toward these objectives but it again reiterates its opinion that the work of the Marketing Economics Division appears overly fragmented and some of limited public significance. The performance of a marketing system is to be judged mainly in terms of factors such as competition, efficiency, innovation, technology, and capital investment. While these have been treated for some individual products in local situations, it is difficult to draw any general conclusions regarding these all important issues from the mass of individual studies done by the Marketing Economics Division.

The National Food Marketing Commission has been charged specifically with investigating these broad questions and the Marketing Economics Division is to be commended for the assistance it is giving the Commission. Out of this investigation it is to be hoped that certain guidelines will evolve for continuing research in agricultural marketing. Already, it is clear that some of the USDA data with respect to spreads and margins for farm products are not sufficiently accurate to measure market performance and the Marketing Economics Division has properly begun work to improve them.

1. In connection with the work of the National Food Marketing Commission, it is recommended that the Marketing Economics Division prepare for the review a year from now a prospectus for new orientations and new methods in agricultural marketing research which may emerge or be suggested by the work of the National Commission on Food Marketing.

2. The Marketing Economics Division continues to be organized on both functional and commodity lines and this makes it somewhat difficult to organize across-the-board studies of major agricultural marketing problems which usually are of a topical or functional character. But, in the opinion of the Advisory Committee, more could be done to set up general marketing studies within the present organizational framework of the division and without adding additional staff.

- a. One such method would be to set up a special studies group within the division recruited from existing personnel to organize and conduct special studies of general marketing problems. This group would draw on the personnel and resources of the commodity sections of the division so that the final results could be the development of general principles and conclusions of broad application and considerable public interest.
- b. One project which might be organized on this basis is an analysis of changes in the structure of the food industries as indicated by the 1964 Census of Manufactures and Business (when available).

Farmer Cooperative Service

The Farmer Cooperative Service, as the agency in the USDA whose sole responsibility is to conduct research studies and service work for farmer cooperatives, can play a vital role in strengthening American agriculture.

It is noted that committee recommendations of last year regarding fewer studies for single organizations and more broad or general research are being followed.

It is noted that considerable attention is being directed to the subject of mergers and consolidations. This should continue to receive emphasis. Studies of the human aspects of mergers can be helpful. Studies of projected results of mergers compared with actual results also can be helpful.

Generally, the Farmer Cooperative Service must look at research needs as related to a rapidly changing agriculture and rapid changes in business practices. Cooperatives must recognize these changes and gear their policies to meet them; they need to encourage the participation of large commercial farmers as well as smaller farmers.

Some areas for greater emphasis include:

1. Services needed by today's farmer.
2. Organizational structure of cooperatives.
3. Pooling.
4. Scope and potentials of cooperatives.

While some of these areas do not lend themselves to research studies in the usual manner, they are vital areas that deserve attention. If a modified research approach is called for, it should be taken.

Statistical Reporting Service

The Statistical Reporting Service is commended for the effort thus far in updating its activities and for the analyses and planning for further improvement, especially its use of the government training program to enable selected personnel to obtain a year's training in mathematics and statistics. This procedure is recommended to other divisions as a means of training personnel in recent developments in quantitative methods. The committee urges that efforts be made to have the Civil Service regulations amended so that more than a year's such training can be taken by especially competent trainees.

We approve the Statistical Reporting Service plan to sponsor basic research on sampling and estimation procedures, with special attention on nonsampling errors. Additional inshop research cannot be urged until research social scientists and sampling experts are secured. Efforts probably should be continued to support such research by universities and other qualified outside personnel. The committee recommends caution in expansion until capable personnel are available.

Consumer and Food Economics Research Division, ARS

1. Analysis of farm and rural-nonfarm family income and expenditures to determine the level of consumption comparable with that of the urban family at minimum adequate levels is most urgently needed to identify rural families in poverty. The resulting budgets should be prepared by regions. Consideration should be given to whether the 1960-1961 expenditure data for farm and urban families also could be analyzed in light of the Department's directive to reconsider the parity concept.
2. The possibility of designing a short socio-economic scale that could be used to identify the families with limited resources more accurately than using the single measure of income should be explored.
3. Continued emphasis needs to be given to preparation of semitechnical bulletins and reports to teachers and extension workers of research findings and background information on consumer economics. Continue and, if possible, expand Family Economics Review which is playing a unique role in helping home economists improve their knowledge of current economic factors affecting consumers and recent relevant analyses.
4. A study is needed of use of consumer credit by rural families with emphasis on cost of credit, source of credit, and the extent to which they shop for credit.
5. Analyses of data from the 1965 household and individual food consumption surveys should be published as planned with enough resources allocated for tabulation, analysis, and processing that these important data are available in time to maximize their usefulness. The basic analyses should be followed by commodity-oriented summaries and analysis with particular emphasis on their potential use in consumer education. In planning for future food consumption surveys, the time interval between surveys should be shortened; ten years is too long.
6. The effect of food stamp and other food distribution programs on the diets of needy families should be analyzed further to provide the basis for evaluation of the effect of recent expansion of such programs.
7. Food consumption studies of the food habits of low-income families, in particular population groups, are needed for both urban and rural areas as, for example, the Spanish-American, negro, and low-income white families. For this information a few related areas should be studied in more detail than is possible in a national survey.

Foreign Development and Trade and Foreign Regional Analysis Divisions, ERS

In recent months the world food situation, particularly the situation in south-eastern Asia, has been brought to the forefront of public discussions such as this Nation has not experienced since the early days following World War II. There is need for factual information on the present food situation, production potentials, and future food and fiber requirements in order that the public may be more adequately informed and that public policymakers may render more intelligent judgments and decisions. This committee strongly urges the Economic Research Service, through its facilities for economic intelligence and economic interpretation to become a more effective instrument in laying out the facts before the public of the United States and the world. Many of these facts can be marshalled readily by a concerted task force approach within the Department.

It is also very important that at a high policymaking level within the Department, serious consideration be given to the formulation of possible conditions which might appropriately be attached to different levels of increases in our food grants such as efforts by the recipient country to effect, as promptly as possible, improvement in its own agriculture practices and productivity, practical steps to bring population under control, etc. It must be made clear that our food grants cannot become a substitute for effective internal policies to improve their own agriculture output since we cannot do the whole job of meeting fully their prospective food needs even in physical terms, and much less, financially. Furthermore, it must be emphasized that without population controls even successful yield-raising agricultural policies may worsen rather than improve the situation if further population growth absorbs the gains in output, leaving no further place to go.

1. Impact on Food Grants on Federal Budget and U. S. Balance of Payments

For judgments by the public and policymakers, there is a need for the cost estimates to the U. S. budget of specified increases in the levels of food grants to nations requesting such aid to alleviate threatening famine conditions and to assist in economic development. Estimates are also needed indicating the rate at which additional agricultural resources, including land and other inputs, are required to meet and sustain the specified levels of food grant programs. Similarly, the impact of possible changes in food assistance on the Nation's balance of payments should be determined.

2. Improvement of Food Distribution Systems between Port of Arrival and Ultimate Consumer in Recipient Countries

Inadequate marketing and distribution facilities limit Food for Peace exports to several countries having great need for food assistance. Studies should be undertaken to analyze existing market structure and facilities (harbors, storage, transportation, distribution, and processing) to include reorganization and investment plans to optimize utilization of indigenous and imported food and fiber.

3. Basic Data for Projections

We strongly support the need for improving data collection in foreign countries, particularly those aspects concerned with improving the collection and reporting of livestock statistics in less developed countries (especially Latin America) and of the amounts and prices of a few major inputs (especially fertilizer). Indexes of prices of various classes within the domestic food group in selected countries should also be gathered since relative price movements offer an excellent signal of problem areas within the food and agriculture yield.

4. Developments in Foreign Trade

Present and prospective reductions in our own agricultural surpluses may increase the political feasibility of eliminating some of our more harmful "dumping" practices as they apply to other friendly supplier nations. Hence, expanded studies indicating the nature and magnitude of these effects (e.g., our P.L. 480 wheat as it affects the Brazilian market for Argentine and Uruguayan wheat) would be desirable as a prelude to improving our own competitive practices vis-a-vis other friendly nations.

5. Analysis of Demand for Major Internationally Traded Agricultural Products of Less Developed Countries

A determination of demand potentials for the export products of less developed countries is needed to guide the selection of policies and programs for increasing agricultural production that are consistent with prospective world demand and supply conditions. A knowledge of the structure of international markets for these products and estimates of possible further trade flows for different aggregate supply conditions is needed. Expanded research in these areas should be carried out simultaneously with demand analysis so that countries can adequately assess their competitive position and possibilities of sharing in a growing world market.

6. Interrelationships of Domestic and Export Programs for Agricultural Commodities and their Implications for U. S. Agriculture

Export market outlets are expected to assume greater significance in U. S. agriculture. As we look to the future - price support, cropland retirement, and storage and disposal programs will need to give greater attention to foreign market demand and increasing world food needs. Therefore, the increased importance of international food aid and market development programs and their relationships to domestic agricultural programs should be analyzed. Research is also needed to determine the impact of alternative price support and production policies on domestic and foreign commercial markets as well as the implications of concessional U. S. export programs on the use of U. S. agricultural capacity and farm incomes. Expanded research is needed to provide the information referred to above.

7. Career Development

It is desirable that, as part of the career development of these two foreign divisions of the Economic Research Service, the number of its personnel with foreign experience (1-2 years abroad) be increased. Such representatives abroad should themselves be actively engaged in research, preferably with considerable field work and competent local research partners. A major effort to acquire a working competence in the local language should also be strongly encouraged.

